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July 16, 2004

Ms. Beth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602-0615

Subject: **Case No. 2003-00305 –  
Margin Loss Recovery Mechanism, Semi-annual Report**

Dear Ms. O'Donnell:

In the Commission's Order in Case No. 99-070, Atmos Energy (then Western Kentucky Gas) was required to provide a semi-annual report on any discounts provided under its Margin Loss Recovery ("MLR") mechanism during the prior six months. Atmos Energy was granted a three-year extension of this pilot mechanism in the above referenced Case. However, a semi-annual report was not specifically required in the December 17, 2003 Order granting the extension.

This correspondence, nevertheless, is provided to acknowledge that from the date of implementing this tariff provision through the period ending May 2004, Atmos Energy has provided no discounts affecting the MLR rider.

If the Commission or Staff has any questions regarding this report, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary L. Smith".

Gary L. Smith  
Vice President, Marketing & Regulatory Affairs

Cc: Bob Cline, Atmos Energy Corporation